



NEW ZEALAND
**INFRASTRUCTURE
COMMISSION**
Te Waihanga

Submission on Plan Change 78: Intensification

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The New Zealand Infrastructure Commission, Te Waihanga welcomes the opportunity to submit on Plan Change 78: Intensification. We would welcome the opportunity to speak to our submission.

Our purpose is to co-ordinate, develop, and promote an approach to infrastructure that improves the well-being of New Zealanders. To this end, the recently released New Zealand Infrastructure Strategy (the Strategy) outlines challenges that the infrastructure sector needs to address or respond to over the next three decades. These include a need for more housing in growing cities, especially in areas that are already well served by transport and other infrastructure.

Our submission follows the New Zealand Infrastructure Strategy

In May 2022, Te Waihanga released *Rautaki Hanganga o Aotearoa, the New Zealand Infrastructure Strategy 2022-2052*. Our submission follows the Infrastructure Strategy, and specifically the "Attractive and Inclusive Cities" strategic objective in the Strategy (Section 6.3). We have several concerns about the infrastructure elements of Plan Change 78.

Plan Change 78 proposes four new infrastructure constraints. These include the Beachlands Transport Constraints Control, the Combined Wastewater Network Control, the Stormwater Disposal Constraints Control and the Water and/or Wastewater Constraints Control. The water/wastewater servicing constraint layer has the largest impact on development. This equates to around 10% of urban sites in Auckland. The Section 32 (S32) report identifies an intent to lift these constraints as water/wastewater projects are completed, but also notes that "removal of the constraint from all the identified sites is not expected to occur within the lifetime of the current AUP". The appendix to the S32 report identifies a set of projects that will affect these constraints; however, it's unclear whether these projects will fully or partly address these constraints.

Using regulatory instruments to address infrastructure funding issues (by limiting growth) may result in unintended consequences. For instance, such an approach could slow technology adoption, push growth to second best (and potentially more expensive) areas and slow the overall responsiveness of infrastructure to enable growth. The approach may also miss opportunities to increase density in ways that do not place significant pressure on constrained networks. This could occur for instance, through non-networked solutions or demand management opportunities to reduce the consumption of networked infrastructure services by existing firms and residents.

Instead, increasing density may provide opportunities to improve levels of services or lower the cost to service. This was evidenced in the report by the City Rail Link¹ on the CRL precincts public works implementation plan. In this plan, the CRL show the public works infrastructure costs (including

¹ City Rail Link, Development Opportunities Programme: CRL Precincts Public Works Implementation Plan, page 4.

transport, social, stormwater and water) associated with three different growth scenarios (low, medium, high) in the Mount Eden Station precinct. The key insight was that infrastructure costs per household in this area fall with increasing density. CRL found that funding a low growth scenario was \$386m. To support a medium growth scenario (with 70% more households), infrastructure costs rose by only 30%. For water infrastructure, the differences between growth scenarios are even less. Water infrastructure costs were estimated at \$201m for the low growth scenario, \$221m for a medium growth scenario and \$224 for a high growth scenario. As we understand it, this is because, when upgrades are required, placing a larger pipe does not add significantly to the cost. In other words, a large proportion of upgrade costs are fixed. This appears pertinent for many of the specific areas covered by the infrastructure controls because there appears to be significant demand to live in these areas. The Commission would be interested in understanding the costs of upgrades for water and wastewater to help substantiate the rationale for regulatory instruments and how these costs might change under different growth assumptions which the MDRS and NPS-UD now enable.

The role of infrastructure growth charges, development contributions and targeted rates should be explored as an alternative to regulatory instruments. The Strategy has a focus on infrastructure provision that is flexible to growth. The Strategy emphasises the importance of infrastructure prices to achieve this (Recommendation 12). Specifically, there is a need to ensure that there is a clear link between the cost of providing water services and the prices that are charged to users.

The proposed approach risks pushing development to areas that are ultimately more expensive. For instance, many of the inner-city areas that are constrained by water infrastructure also have low transport infrastructure costs. It is unclear whether the overall infrastructure cost of limiting development in these areas is higher overall.

The proposed Beachlands transport constraint overlay appears ill-considered

Plan Change 78 proposes to limit development in the Beachlands area due to the potential for increased traffic congestion on the road into this area. The S32 report notes that there are options to increase transport capacity in response to increased demand (road upgrades and ferry terminal upgrades), although these are currently unfunded.

This issue of congestion is not unique to Beachlands. Traffic congestion is a common feature of urban life in a growing city. Auckland's urban road network experiences congestion in several places, and thus development in other locations may also lead to some additional congestion. It is possible that limiting growth in Beachlands, and diverting it elsewhere, may cause more traffic congestion than it prevents.

Regulatory constraints are unlikely to be the preferred mechanism for managing infrastructure costs in this instance. As it is currently proposed, it may set an awkward precedent for managing growth generally across New Zealand's cities, leading to large adverse consequences if applied more broadly. This is because:

- Significant intensification in Beachlands would increase the economic and financial viability of the transport capacity upgrade options that are described in the S32 report. In the upper bound case, Beachlands could accommodate 18,788 additional dwellings. In this scenario, the per-household cost of the road upgrade (exceeding \$200 million) and ferry terminal upgrade (up to \$13 million to cater for up to 2000 added dwellings, with higher costs to cater for more growth) appear to be manageable.¹ There are options to fund and finance infrastructure upgrades in this scenario, such as using the Infrastructure Funding and Financing Act 2020 to set up a targeted mechanism to pay for transport upgrades for the area.

- In this scenario, increased population in Beachlands is likely to attract additional retail, services, employment opportunities, and school investment. This would mitigate the need to commute out of the area to access services, employment, and education. Auckland Council can enable these responses by providing zoning opportunities for non-residential activities.

Overall, the Commission has significant concerns about the management of infrastructure constraints through regulatory instruments, including the potential for unintended consequences as well as the precedent this may set for other the local government sector.

Other issues

The New Zealand Infrastructure Strategy places an emphasis on making better use of existing infrastructure (Recommendation 42). As such, the Commission has an interest in walkable catchments for areas of rapid transit and decisions that relate to the central isthmus. Housing development in these areas have the potential to reduce congestion, carbon emissions and improve housing affordability. These issues are discussed in detail in the Cost Benefit Analysis for both the [MDRS](#) and the [NPS-UD](#).

Your sincerely,

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